

Message Text

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TO ALL DIPLOMATIC POSTS

AMEMBASSY AMMAN BY POUCH

AMEMBASSY TRIPOLI BY POUCH

USINT CAIRO BY POUCH

AMEMBASSY KHARTOUM BY POUCH

AMEMBASSY SANAA BY POUCH

AMEMBASSY JIDDA BY POUCH

AMEMBASSY KUWAIT BY POUCH

OAGHDAD BY POUCH

AMCONSUL DHAHRAN BY POUCH

AMEMBASSY BEIRUT BY POUCH

AMEMBASSY TEL AVIV BY POUCH

AMCONSUL JERUSALEM BY POUCH

AMEMBASSY TUNIS BY POUCH

USINT ALGIERS BY POUCH

AMEMBASSY RABAT BY POUCH

AMCONSUL CASABLANCA BY POUCH

AMCONSUL TANGIER BY POUCH

AMEMBASSY NOUAKCHOTT BY POUCH

AMEMBASSY KAMPALA BY POUCH

XMT AMEMBASSY AMMAN

AMEMBASSY TRIPOLI

USINT CAIRO

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AMEMBASSY KHARTOUM

AMEMBASSY SANAA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY BEIRUT
AMEMBASSY TEL AVIV
AMEMBASSY TUNIS
USINT ALGIERS
AMEMBASSY RABAT
AMEMBASSY KAMPALA

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TAGS: EAGR

SUBJECT: 1974 U.S. CROP PROGRAMS FOR RICE AND PEANUTS

1. ON OCTOBER 24 SECRETARY OF AGRICULTURE BUTZ ANNOUNCED THE 1974 CROP PROGRAMS FOR RICE AND PEANUTS. CERTAIN ELEMENTS OF THESE PROGRAMS EMBODY SUBSTANTIVE CHANGES FROM PREVIOUS YEARS, AND THE IMPLICATIONS OF THESE CHANGES MAY BE OF SOME IMPORTANCE TO MAJOR WORLD PRODUCING AND CONSUMING COUNTRIES. SUMMARY DESCRIPTIONS OF THE NEW PROGRAMS FOLLOW FOR YOUR INFORMATION.

A. 1974 - CROP RICE PROGRAM

1. FOR THE FIRST TIME SINCE 1954 RICE MARKETING QUOTAS HAVE BEEN LIFTED. THIS MEANS THAT FOR THE 1974 CROP, U.S. FARMERS CAN PLANT RICE WITHOUT BEING ASSESSED FOR PAYMENT OF QUOTA PENALTIES ON THE AMOUNT THEY PRODUCE. FURTHER, THE NATIONAL ACREAGE ALLOTMENT FOR RICE WILL BE REDUCED FROM THIS YEAR'S 2.2 MILLION ACRES TO APPROXIMATELY 1.7 MILLION ACRES WITH A NATIONAL AVERAGE LOAN AND PURCHASE RATE AT THE MINIMUM LEVEL OF 65 PERCENT OF PARITY. IN OTHER WORDS, FOR THE 1974-CROP THE USG WILL GUARANTEE PRICE SUPPORT TO THE FARMER AT 65 PERCENT OF PARITY ON THE PRODUCTION OF 1.7 MILLION ACRES; NO SUPPORT WILL BE GIVEN ON PLANTINGS IN EXCESS OF THIS FIGURE.

2. SUMMARIZED, THE NET EFFECT OF THE 1974 CROP
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PROGRAM, WILL LIKELY BE TO ENCOURAGE INCREASED PLANTING AND MARKETING OF RICE BY THE U.S. FARMER (THROUGH THE REMOVAL OF PENALTIES), EVEN THOUGH THE ACREAGE WILL BE REDUCED ON WHICH GOVERNMENT SUPPORT PAYMENTS WILL BE MADE. THIS DEPARTURE FROM THE 1973 CROP PROGRAM RESULTS IN PART FROM THE TIGHT SUPPLY SITUATION FOR RICE IN 1973-74 AND THE OUTLOOK FOR STRONG WORLD DEMAND IN THE IMMEDIATE TERM.

3. BASED ON THE FOREGOING, THE PROJECTED SUPPLY AND DISTRIBUTION FIGURES FOR 1973/74 AND 1974/75 ARE AS FOLLOWS:

MILLION HUNDREDWEIGHTS PADDY

	1973/74	1974/75
SUPPLY		
BEGINNING STOCKS (AUG 1)	5.1	4.7
PRODUCTION	95.5	132.2
IMPORTS	0.5	---
TOTAL	101.1	136.9

DISAPPEARANCE

DOMESTIC	38.3	37.8
EXPORTS	58.1	34.2
TOTAL	96.4	72.0

ENDING STOCKS (JULY 31)	4.7	64.9
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4. THE DEPARTMENT OF AGRICULTURE WAS SPECIFIC IN CAUTIONING THAT EVEN THOUGH MARKETING QUOTAS ARE NOT IN EFFECT FOR THE 1974 CROP, FARMERS SHOULD NOT ASSUME THAT UNLIMITED EXPORT DEMAND WILL CONTINUE INTO THE 1974-75 MARKETING YEAR. IT WILL BE OBSERVED THAT U.S. EXPORTS ARE PROJECTED TO DECLINE MARKEDLY IN 1974-75.

B. 1974-CROP PEANUT PROGRAM

1. THE ANNOUNCED INTENT OF THE 1974-CROP PEANUT UNCLASSIFIED

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PROGRAM IS TO INTRODUCE CERTAIN ADMINISTRATIVE CHANGES DESIGNED TO REDUCE THE PROGRAM'S COST GIVEN THE CONSTRAINTS OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938, AS AMENDED. THE MAJOR PROVISIONS OF NEXT YEAR'S PROGRAM CALL FOR A CONTINUATION OF THE LEGAL MINIMUM ACREAGE ALLOTMENT OF 1,610,000 ACRES, PRICE SUPPORT AT 75 PERCENT OF PARITY AS OF AUGUST 1, 1974 AND A MARKETING QUOTA AS APPROVED BY THE GROWERS IN A REFERENDUM HELD IN DECEMBER 1971.

2. IN ADDITION, THE FOLLOWING ADMINISTRATIVE CHANGES HAVE BEEN INTRODUCED WHICH SHOULD LOWER THE COSTS FOR THE 1974-CROP PROGRAM BY AN ESTIMATED 6.6 MILLION DOLLARS:

A. NO PRICE SUPPORT FOR PEANUTS FOUND TO CONTAIN
AFLATOXIN;

B. ELIMINATION OF TRANSFERS BY LEASE, SALE OR
BY OWNER PRIVILEGES NOW PERMITTED FOR ACREAGE ALLOTMENTS,
HANDLING AND INSPECTION CHARGES ASSUMED BY PRODUCERS.

C. AN INCREASE OF 2 DOLLARS PER TON IN STORAGE,
HANDLING AND INSPECTION CHARGES ASSUMED BY PRODUCERS.

3. UNDER THE NEW PROGRAM THE CCC'S MINIMUM SALES
POLICY FOR ACQUIRED PEANUTS IS BEING REVISED TO PROVIDE
A MINIMUM RESALE LEVEL OF 115 PERCENT OF THE LOAN RATE
ON BOTH DOMESTIC EDIBLE AND DIVERSION SALES. GIVEN THE
FACT THAT IN THE PAST MOST CCC SALES HAVE BEEN ON A BID
BASIS AT PRICES BELOW THE LOAN RATE, ONE CAN EXPECT THAT
U.S. EXPORTS OF PEANUTS AND THEIR DERIVATIVES WILL BE
SHARPLY CURTAILED UNDER THE 1974-CROP PROGRAM. KISSINGER

NOTE BY OC/T: POUCHED ABOVE ADDRESSEES.

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